



A College Student's Guide to Insurance*

* Yes, there will be a test.

Kentucky Environmental & Public Protection Cabinet
Office of Insurance

Governor Ernie Fletcher
Secretary LaJuana S. Wilcher

July 2004

A College Student's Guide to Insurance

You're starting college and leaving home for the first time. One of the many things you have to think about – believe it or not – is insurance.

And here, as promised, is a test on the subject:

- There is a fire in your dorm or off-campus apartment that destroys *everything* you own. Who pays for replacement of your property?
- You wake up with a severe pain in your stomach. Will your health insurance pay for the trip to the ER?
- You are deciding whether to take your car to school or leave it home. How will your decision affect your parents' insurance premiums?

Pencils down. How did you score? Find out how you did by taking a few minutes to read this brochure:

Do I need renter's insurance? You need coverage similar to homeowners insurance to replace your "stuff" if it's stolen, burned up, or carried off by a tornado. Insurance will also pay living expenses if you can't live in your apartment while it's being repaired. And insurance provides liability coverage if, for example, a guest is injured. The kind of coverage you get depends on where you live — on campus or off campus.

If you live in a dormitory, you may be covered by the *off premises provision* of your family's *homeowners policy*. Parents should contact their insurance agent to see if an update of their policy is needed.

If you live in an off-campus apartment or house, you won't be covered under the off premises provision of your parents' policy. The landlord's insurance only covers the building, not your possessions. There are two ways you can go if you live off campus:

- Get an *off premises rider* added to your parents' policy
- Purchase *renter's insurance*.

When deciding how much coverage to buy, there are a couple of terms you need to know — *actual cash value* and *replacement costs*. Say your CD player is stolen. *Actual cash value* would give you what a used CD player is worth. *Replacement cost* would give you the amount it takes to buy a new player of the same kind and quality without depreciation. **Note:** You may have to purchase a *rider* to extend your coverage to include expensive items like jewelry or electronic equipment.



A few words about risks...

Life is a risky business. People are exposed to risks every day — a *risk* meaning the chance that something bad will happen. Sensible people usually handle the potential hazards of daily living by following this course of action:

Avoid danger. Example: You don't rent an apartment because it is in a crime-ridden area. (By the way, colleges that receive federal money *must* report campus crime statistics to the U.S. Department of Education.)

Take precautions. You may decide a risk is worth taking *or* unavoidable. But you take steps to protect yourself. Example: You rent the apartment, install deadbolt locks, start a neighborhood crime watch and engrave your valuables.

Get good insurance. Insurance protects you from financial loss. Example: You can buy renter's insurance that pays for replacement of your property if it is stolen.

Am I still covered by my parents' health insurance policy? Check with your family's health insurance company to see if you are still covered by your parents' policy — ask about the *age cut-off*. Generally unmarried children are covered to age 19

whether they are in school or not. Coverage can extend to age 25 if the child is a full-time student (taking at least 12 hours or more credit hours) in college or another educational institution.

If you will be going to school in an area *out of the network* of your managed health care providers, call your insurance company's customer service number and ask what provisions are in your policy. Most have some method of covering *emergency care* while you're out of network. A guideline would be — go to the emergency room if you believe you need immediate medical attention to avoid endangering your life and health or that of an unborn child. Severe pain and/or heavy bleeding are among the symptoms that indicate a trip to the ER is warranted.



Continued

If you are dropped from your parents' group health insurance, a federal law (called COBRA) requires that you be allowed to buy an additional 18 months of coverage.

Here are some other options:

- *Student health insurance* offered through school.
- *Group health insurance* from an employer.
- *Individual insurance coverage.*



Note: Marriage means an automatic loss of your “dependent” status. You’ll need your own health insurance even if you are still a student.

Once you graduate and start a job search, the health insurance offered by your employer is an important benefit to consider. After you are on the job, there may be a significant waiting period until you are eligible for coverage. *Short-term health insurance* can be purchased to fill the “gap” from the time you leave school until your group insurance kicks in. Be aware that this type of insurance does not have the same benefits as standard insurance.

What about auto insurance? There are several aspects to this question.

Vehicle ownership. If the parent owns the vehicle and the child is listed as an additional driver, generally this can continue. If the child is the owner, he or she will have to get an individual auto policy. The parent’s premiums will decrease but the child will be facing premiums in the high-risk group of young drivers.

Change of location. Even if you leave the state to attend college, home is still your permanent address as long as you are a student. However, your car’s “change of scenery” might make a difference in your premiums. The insurance company *must* be notified that the car will be garaged at another location. Note: Your parents may get a break on their auto insurance if you are more than 100 miles away from home and don’t have a car.

Premium costs. The choices you make are a factor in how high your premiums will be. And, remember: if you are covered under your parent’s policy, you’re in this together. Your actions affect coverage for the whole family.

Drivers make choices about what types of coverage they will purchase. Auto insurance can cover these areas:

1. **Liability** for others’ injury and property damage.
2. **Medical** for treatment of injury to you or your passengers.



3. **Collision** for damage to your car during a wreck.
4. **Comprehensive** for damage from other causes including theft, natural disasters or vandalism.
5. **Uninsured motorists** for treatment of your injuries if you have a wreck with an uninsured motorist.

Some people who drive older cars choose to lower premium costs by just carrying liability coverage. Another strategy is to have a high *deductible*. If you have a \$500 deductible, for example, you must pay for losses up to that amount. Then your insurance company pays.

Kentucky law requires that you must carry at least “25/50/10” liability insurance to protect others — that is \$25,000 for bodily injury to one person, \$50,000 for two or more, and \$10,000 property damage or a single-limit policy of \$60,000.

Then there are personal choices that can lower your auto insurance premiums.

1. Keep your grades up and earn a “good student” discount.
2. Take driver’s education.
3. Maintain a “clean” driving record — no wrecks, no tickets.
4. Buckle your seatbelt.
5. Don’t drive drunk, drugged *or* sleepy.
6. Don’t let anyone drive your car unless he or she is covered by insurance.
7. Don’t tempt a thief: park in well-lit, high traffic areas, hide valuables, roll up your windows and lock your car.
8. Consider having your vehicle’s identification number etched on a window and installing anti-theft devices. These measures aren’t cheap, but they could result in lower premiums. Check with your agent.



Note: If you have expensive items like super speakers or a CD player, you may need a rider to cover these “extras.”



What about insurance coverage if I travel out of the U.S.? Check with your agent about coverage while traveling in foreign countries.

Continued

Do I need life insurance? A general rule is that life insurance is economic protection for those you leave behind — family or a business partner. If you are single without children or elderly parents to support and don't own a business, most experts say you do not need life insurance.

However, others believe there are at least a couple of good reasons for a young single person to have life insurance:

- Taking out a life insurance policy with a *guaranteed issue benefit* when you're young is cheap and may protect you from being uninsurable in the future should you develop a debilitating illness or disabling injury.
- Life insurance money could go to pay for funeral expenses and to settle any debts.*

Opinions differ on these issues. A simple rule in life and insurance is: get the facts, analyze them, and make an informed decision. Talk to a trusted agent or financial advisor about the best course of action for you and your family.

On a final note, when you file an insurance claim it's very important to be accurate and honest. Lying to an insurance company to get money is *insurance fraud*, a crime that could result in jail-time and/or a heavy fine.

** About two-thirds of all student financial aid comes from federal programs administered by the U.S. Department of Education. Direct Loans and FFEL (Federal Family Education Loan) Stafford Loans are 100 percent forgiven if the student is permanently disabled or dead. PLUS Loans to the parent are forgiven if the student dies.*



Kentucky Office of Insurance

P.O. Box 517, Frankfort, KY 40602-0517

Toll free 1-800-595-6053 Deaf/hard-of-hearing: 1-800-462-2081

<http://doi.ppr.ky.gov/kentucky/>

The Kentucky Office of Insurance does not discriminate on the basis of race, color, religion, sex, national origin, sexual orientation or gender identity, ancestry, age, disability or veteran status. The cabinet provides, on request, reasonable accommodations necessary to afford an individual with a disability an equal opportunity to participate in all services, programs and activities. To request materials in an alternate format, contact the Office of Insurance, Communications Office, P.O. Box 517, Frankfort KY 40601. V (800) 595-6053; TTY (800) 462-2081. Hearing and speech-impaired persons can contact an agency by using the Kentucky Relay Service, a toll-free telecommunication service. For Voice to TTY call (800) 648-6057. For TTY to Voice, call (800) 648-6056.



Printed with state funds on recycled paper